

Message Text

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44

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 AID-05 CIAE-00 COME-00 EB-07

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FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8543

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

UNCLAS BRIDGETOWN 0393

E.O. 11652: N/A

TAGS: EGEN BB

SUBJ: EXPORT ASSEMBLY INDUSTRIES HIT HARD BY RECESSION

REF: (A) A-010 (1/28/75; (B) TRENDS REPORT (09/01/75)

SUMMARY:

POOR BUSINESS CONDITIONS IN U.S. HAVE HIT BARBADOS' OFFSHORE EXPORT INDUSTRIES HARD, PARTICULARLY THOSE INVOLVED IN ASSEMBLY OF ELECTRONIC ITEMS. LAYOFFS NOW TOTAL ABOUT 450 AND AT LEAST TWO FIRMS, ONE A MAJOR EMPLOYER, WILL CEASE OPERATIONS HERE IN NEAR FUTURE. TRADE MINISTER CALLED IN AMBASSADOR MARCH 7 TO EXPRESS CONCERN AT SITUATION AND TO ASK FOR EMBASSY'S ASSISTANCE AND UNDERSTANDING. END SUMMARY

1. BARBADOS' OFFSHORE ASSEMBLY INDUSTRIES WHICH HAVE MADE SIGNIFICANT CONTRIBUTION TO GROWTH OF ISLAND'S EXPORTS AND TO DEVELOPMENT OF MANUFACTURING SECTOR, HAVE WITH A FEW EXCEPTIONS, BEEN HARD HIT BY POOR BUSINESS CONDITIONS PREVAILING IN US. ELECTRONIC ASSEMBLY OPERATIONS, WHICH SPEARHEADED OFFSHORE OPERATIONS HERE FOR PAST FEW YEARS, HAVE PARTICULARLY FELT PINCH OF DECLINING US SALES. MOST HAVE MADE SIGNIFICANT STAFF CUTBACKS (RANGING UP TO 80 PERCENT AND/OR INSTITUTED SHORTER HOURS AND LEAVE WITHOUT PAY.) SOME OF CLOTHING MANUFACTURERS, ANOTHER

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POPULAR ASSEMBLY LINE, ALSO APPEAR TO BE AFFECTED BY ADVERSE

CONDITIONS IN US AND CUTBACKS MAY SPREAD TO THIS GROUP AS WELL.

2. PERHAPS MOST DRAMATIC REVERSE IS THAT OF GENERAL DYNAMICS (GD) WHICH CAME IN HERE ABOUT 3 1/2 YEARS AGO TO ASSEMBLE COMPONENTS FOR SOPHISTICATED COMMUNICATION EQUIPMENT AS WELL AS TELEPHONE SWITCHING APPARATUS AND OTHER INSTITUTIONAL COMMUNICATIONS EQUIPMENT. BUILDING SLOWDOWN HAS CUT DRAMATICALLY SALES OF LATTER TWO PRODUCTS AND US CONTRACTORS CANCELLED ALL ORDERS SOME MONTHS AGO. RESULT IS THAT GD HAD GONE FROM STAFF OF ABOUT 450 TO ABOUT 30. FIRM PLANS TO CLOSE OPERATIONS HERE IN TOTO BY END OF MAY. POSSIBILITY OF REOPENING IN FALL DEPENDS ON WHETHER GD OBTAINS US MIL TARY CONTRACT FOR TACAN (TACTICAL AIDS TO NAVIGATION), A DEVICE DESIGNED TO BE PLACED IN VIRTUALLY ALL TACTICAL US AND FRIENDLY AIRCRAFT. POTENTIAL VALUE OF TACAN CONTRACT WOULD LIKELY BE IN VICINITY OF US DOLS 2 BILLION. TACAN CONTRACT WOULD KEEP GD BUSY HERE FOR ABOUT 10 YEARS WITH WORK FORCE OF UP TO 80. GD IS NOT SANGUINE ABOUT TACAN CONTRACT, HOWEVER, BECAUSE ITS WINNING NEW TACTICAL FIGHTER CONTRACT WOULD APPEAR TO DIMINISH CHANCES OF ITS BEING AWARDED TACAN AS WELL.

3. AT LEAST TWO LARE US ELECTRONIC FIRMS HAVE MANAGED TO KEEP GOING AT FULL STEAM BECAUSE OF VARIOUS FACTORS (LONG TERM CONTRACTS, EUROPEAN AND OTHER MARKETS, ETC.) BUT EVEN THESE ARE LOOKING TOWARDS HARD TIMES AND ONE WHICH HAS NOT YET MADE ANY REDUCTIONS IN WORK FORCE ANT CIPATES 10 PERCENT CUT IN NEAR FUTURE. ONE AND POSSIBLY TWO ELECTRONIC FIRMS (OTHER THAN GD) EXPECT TO CEASE OPERATIONS HERE WITHIN NEXT FEW MONTHS.

4. RECESSION HAS ALSO HIT CLOTHING ASSEMBLY INDUSTRIES ALBEIT TO LESSER EXTENT THAN THOSE IN ELECTRONICS FIELD. ONE LARGE US-OWNED FIRM (ST. LUCY MANUFACTURING CO.) EMPLOYING 250 MAKING SLIPS AND PETTICOATS US UP FOR SALE BECAUSE OF FINANCIAL PROBLEMS OF AMERICAN PARENT FIRM (VAN RAALTE CORP. OF NEW YORK). LOCAL MANAGER FEARS THAT IF NO BUYER IS FOUND FOR PARENT FIRM, US MANAGEMENT WILL CEASE OFFSHORE OPERATIONS TO SIMPLIFY LIQUIDATION OF HOLDINGS. HE CONSIDERS THERE IS BETTER THAN EVEN CHANCE THAT BARBADOS OPERATIONS WILL BE TERMINATED.

5. TRADE MINISTER BRANFORD TAITT CALLED IN AMBASSADOR MARCH 7 TO EXPRESS HIS CONCERN ABOUT REDUCTION IN WORK FORCE BY LARGELY US-OWNED OFFSHORE ASSEMBLY INDUSTRIES. TAITT, WHILE RECOGNIZING THAT SLUMP IS DUE ENTIRELY TO EXTERNAL BUSINESS CONDITIONS, UNCLASSIFIED

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REQUESTED ANY POSSIBLE HELP EMBASSY COULD GIVE IN PREVENTING FURTHER LAYOFFS. TAITT MENTIONED SPECIFICALLY POSSIBILITY OF TACAN CONTRACT FOR GD THAT WOULD ALLOW FIRM TO CONTINUE OPERATIONS HERE AND ASKED IF ANYTHING COULD BE DONE. AMBASSADOR EXPLAINED THAT CONTRACT WAS A VERY LARGE ONE WHICH USG WOULD AWARD AFTER CAREFUL CONSIDERATION OF MANY FACTORS, PRIMARILY NATIONAL SECURITY BUT HE SAID HE WOULD PASS ON TAITT'S CONCERN TO DEPARTMENT.

6. COMMENT: OFFSHORE ASSEMBLY INDUSTRY CUTBACKS HAVE BROUGHT FORTH ACCUSATIONS IN PAST FROM SOME (CHIEFLY BARBADOS WORKERS' UNION) THAT OFFSHORE INDUSTRIES HAVE NO CONCERN FOR MEANINGFUL CONTRIBUTION TO NATIONAL DEVELOPMENT. BWU GENERAL SECRETARY HAS, IN FACT, CALLED FOR RE-EXAMINATION OF GOB POLICIES OF PROVIDING GOVERNMENT-OWNED LAND AND BUILDINGS TO SUCH INDUSTRIES AT LOW COST OR FREE AND SPENDING LARGE AMOUNTS OF GOB PROMOTION FUNDS TO ATTRACT SUCH FIRMS. BWU AND OTHERS DO SEEM TO REALIZE THAT PRESENT SITUATION IS BEYOND CORRECTIVE POWER OF GOB. EXTENT OF LAYOFFS (WHICH MAY REACH 700 IF VAN RAALTE SUBSIDIARY CLOSES) HAS, HOWEVER, SHAKEN BWU AND GOB AND ALL CONCERNED ARE FERVENTLY HOPING FOR AN IMPROVEMENT IN MARKET CONDITIONS IN NEAR FUTURE. WE REALIZE THAT SUCH MATTERS AS TACAN CONTRACT HAVE IMPLICATIONS FAR BEYOND CONCERN OF GOB BUT WE DID WISH TO POINT OUT SIGNIFICANT RAMIFICATIONS HERE OF SUCH PROCUREMENT.
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